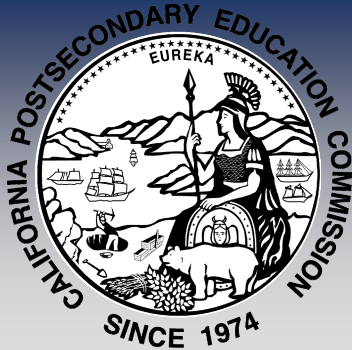


# CPEC

California Postsecondary Education Commission

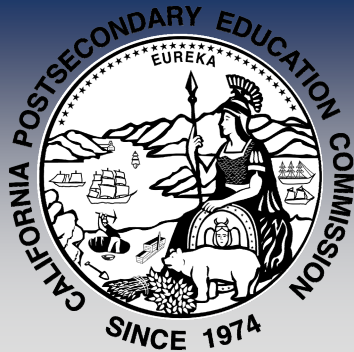
## The New Tax Credits: How Much Will They Offset Fee Increases?

Presented By  
Jessika Jones



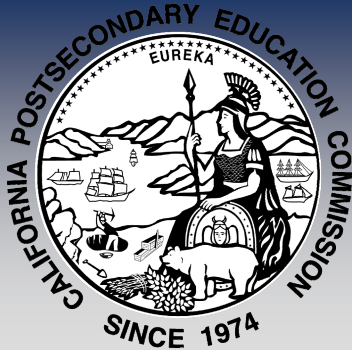
# The American Opportunity Tax Credit

- Effective starting 2009 tax year
- Replaces the Hope Credit
- Increased benefit amount
- Wider income range will benefit



# Changes In Tax Credits

	<b>Hope Credit</b> <i>Effective until 2008</i>	<b>American Opportunity Credit</b> <i>Effective 2009</i>
<b>Credit for</b>	100% fees up to \$1,200, 50% of next \$1,200	100% fees up to \$2,000, 25% of next \$2,000, plus books
<b>Maximum credit</b>	\$1,800	\$2,500
<b>Available for</b>	Two years	Four years
<b>Phaseout begins at</b>	\$100,000, married	\$160,000, married



# The AO Credit is Refundable

- Lower income families with little or no tax liability can receive up to \$1,000
- Excludes fees that have already been covered by waivers, grants, and scholarships

# Taxpayer's adjusted gross income

\$0      \$40,000      \$80,000      \$120,000      \$160,000

Single filers

Hope credit

AO Credit

Solid — Full eligibility  
Shaded — Income phaseout

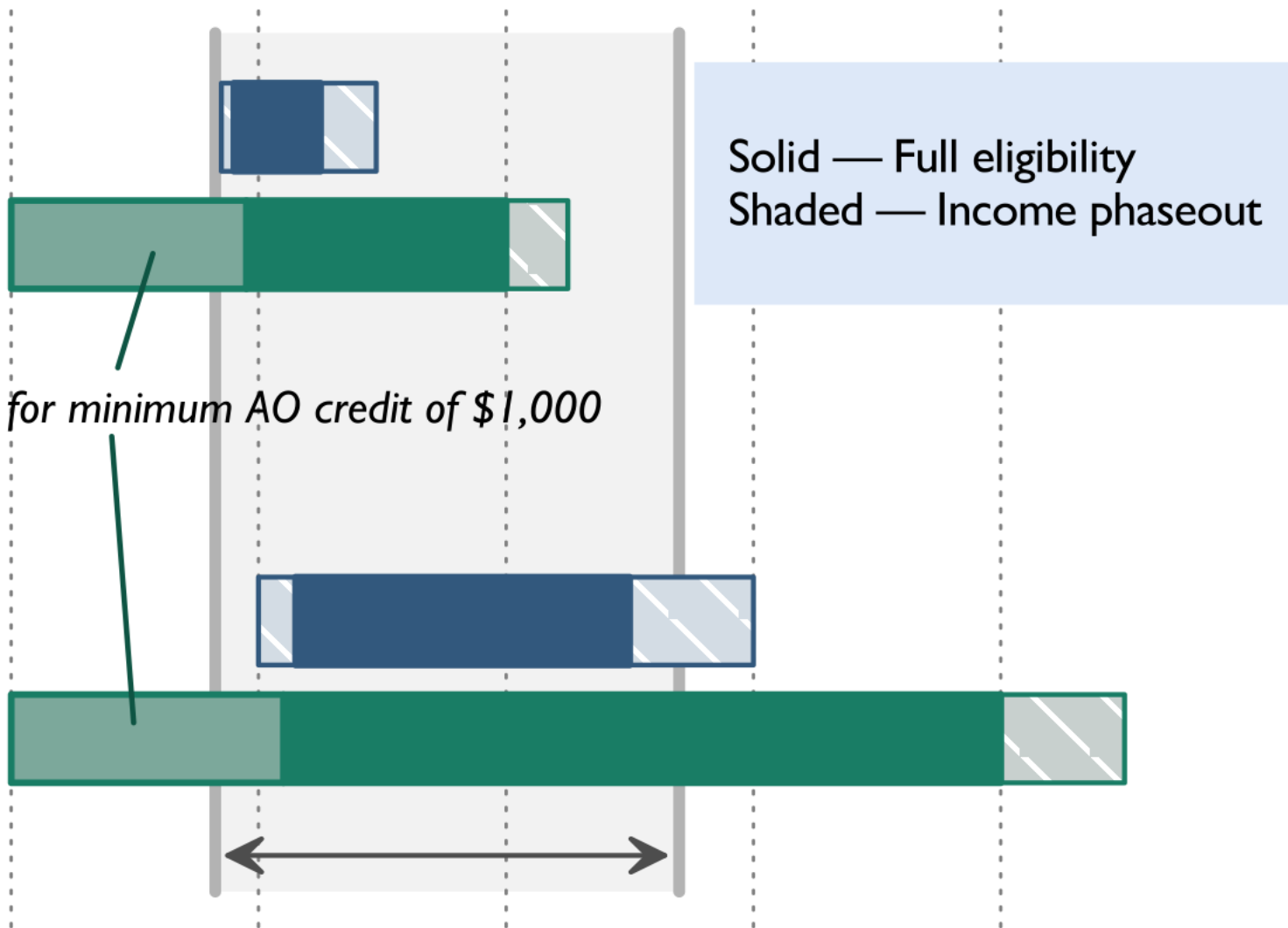
*Eligible for minimum AO credit of \$1,000*

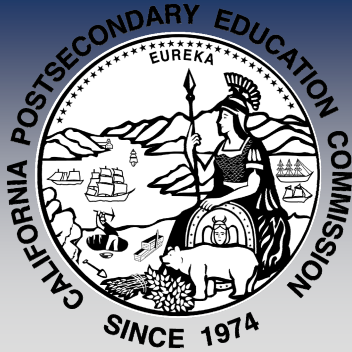
Married-couple  
filers

Hope credit

AO Credit

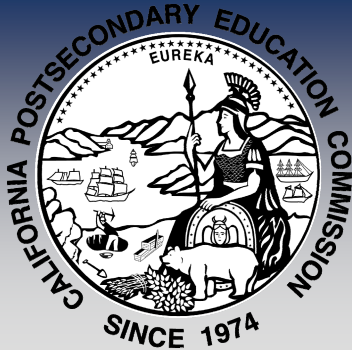
Half of students at UC, CSU, and the  
community colleges have family  
incomes in this range





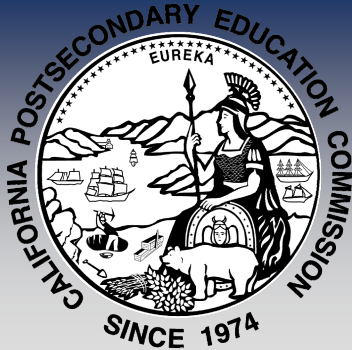
# Offsetting Fee Increases

- The credit will offset 100% of the fee increases at UC and the community colleges
- The credit will offset 70% of the fee increase at CSU



# Offsetting Fee Increases

	Community colleges	CSU	UC
<b>2008</b>			
Annual fees	\$600	\$3,800	\$8,000
Hope credit	\$600	\$1,800	\$1,800
Fees after tax credit	\$0	\$2,000	\$6,200
<b>2009</b>			
Annual fees	\$780	\$4,800	\$8,700
AO credit	\$780	\$2,500	\$2,500
Fees after tax credit	\$0	\$2,300	\$6,200
Net fee increase	\$0	\$300	\$0
Percent covered by increased credit	100%	70%	100%

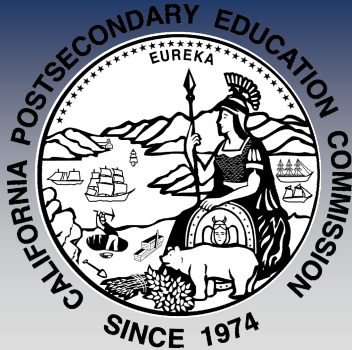


# Family Scenario #1

## Lower Income Example:

- Single, 2 dependents
- \$30,000 Adjusted Gross Income
- No Tax Liability (Exempt from Hope Credit)
- Will qualify for Cal Grant, scholarships
- AO Credit of \$1,000 will assist remaining balance

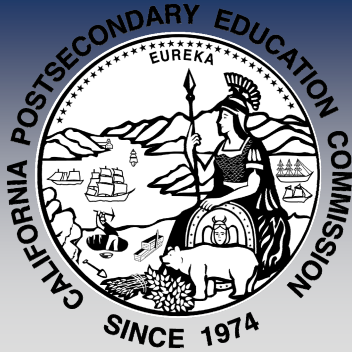




## Family Scenario #2

### High Income Example:

- Married, 2 dependents
- \$140,000 Adjusted Gross Income
- Too high to qualify for Hope Credit
- Will not qualify for Cal Grant
- Qualifies for the full AO credit of \$2,500



# Lifetime Learning Credit

- Claim after AO eligibility expires
- 20% of fees up to \$2,000
- Income raised to \$50,000 and \$100,000
- No limit on years to claim



# Getting the Word Out

- Communication is key to avoiding enrollment decline as a result of fee increases
- Financial aid offices are using new strategies and technologies for communicating new credit benefits to families